

Testimony against the MEDC – January 30, 2013

Commerce House Standing Committee Meeting

Time to phase out the MEDC, the Michigan Strategic Fund, the 21st Century Jobs Fund, Governor's Talent Investment Board and all their doings with their numerous partnerships.

“Free market capitalism can be defined as "a system wherein individuals are free to pursue their own interests, make voluntary exchanges, and hold private property rights in goods and services." Allowing consumers and producers to trade at mutually agreed upon prices, free market capitalism is a system characterized by voluntary rather than coercive exchange. In such a system, the role of government is limited: protecting individuals' basic rights to life, liberty, property, and association; providing a legal system for the enforcement of contracts; and defending individuals against internal and external threats of physical force..”

***By contrast, whether referred to as cronyism, corporatism, mercantilism, liberal fascism, or venture socialism, crony capitalism is simply the cooperation of government and business. While this cooperation benefits the involved business and politician(s), it generally hurts the politically and corporately unconnected. Furthermore, the power and benefits of crony capitalism can often lead to corruption, a fact which James Madison recognized when he stated, "Wherever there is an interest and power to do wrong,**

wrong will generally be done, and not less readily by a powerful & interested party than by a powerful and interested prince."*

The mechanisms of crony capitalism are numerous: Bailouts, stimulus, special loans, too-big-to-fail, favors, mandates, barriers to entry, political appointments, tax breaks, campaign contributions, 'sole-source' procurement, connections, grants, government-union cooperation, exemptions, government sponsored enterprises, political insider trading, and legal bribery."*

So this is what the MEDC and all its arms have become. It should not be the “business” of the state to be engaging in venture capitalism, to be picking winners and losers, nor granting some citizens more favored status.

The MEDC should be closed down. They are big. They are arrogant. They are costly, wasteful, indulgent, inefficient, and they notoriously pick losers (Microposite, A123, Mascoma, UniSolar, Fisker, Tesla, GlobalWatt, SEIU, to name just a few.)

As a taxpayer who decided to do some Google-ing one day, the too cozy connections between the MEDC, the Governor's office, the Governor's venture capital firms (Ardesta & Avalon), Ann Arbor Spark, Xconomy, NextEnergy, Chris Rizik, Doug Rothwell, Michael Finney, Renaissance Venture Capital Fund, and a few others, certainly don't look innocent. In fact, the connections are unseemly and raise suspicions of “insider trading” and sweetheart deals... at best! It's a perverse adaptation of a Chinese fire drill. In the past, Gov. Snyder headed up the MEDC, then, it was Mr. Rothwell, now it's Mr. Finney. Ann Arbor Spark shows a similar path. Is Mr. Finney or Mr. Rothwell thinking about running for Governor of Michigan one day? It wouldn't be surprising.

The MEDC pushes the renewable energy agenda and those sources are economically unviable.

“Unlike in a free market capitalist system, under crony capitalism it is often more profitable for businesses to spend resources lobbying legislators for handouts in the form of grants, loans, or tax advantages, and protections against competition in order to increase their profits. In turn, the government's willingness to hand out special privileges promotes the politically well-connected rather than those who seek to earn the preference of investors and consumers based on merit. The gains of such activities usually accrue to the businesses and politicians involved at the expense of consumers and taxpayers. Consumers have to pay higher prices due to decreased competition, and taxpayers have to foot the bill for loans, grants, bailouts, and tax breaks. Thus, crony capitalism creates a system of privatized gains and "socialized losses.”

The record of crony-capitalism is it's inherently unfair and costly to the taxpayers. When the MEDC gave sweetheart deals to General Motors did they think about the taxpayers that work for other auto companies? Pushing renewable energy drives up electric bills, so again the taxpayers lose. It's the height of arrogance to think that a few can enhance or drive the free market. Michigan families are really hurting and crony-capitalism harms. Only the free market uses resources efficiently. To those at the MEDC: It's not enough to partake in and profit from crony-capitalism, to look only at the statistics that you'd like to believe, to hear only the sound bites that you want to hear and then write checks to charity to deny its menace.

The good lawmakers of Michigan are here to be good stewards of the people's taxes. The good lawmakers of Michigan are here to guard against government over-reach... and this government made bureaucracy has grown into an insatiable monster that will continue to ask for more and more dollars, continue to do all it can to protect itself and justify its existence. They've got quite the scam going and the jig should be up.

We can make Michigan's economy great simply by decreasing taxes, decreasing regulations, doing away with crony-capitalism and by making Michigan fertile ground for all businesses! Let the free market decide. Central planning and crony-capitalism are lousy at generating jobs, wealth, growth and prosperity. In fact, I would say they (the MEDC and all its partners) are indeed the anti-dote to those precious things. Let's stop this skimming off the taxpayers soon. It's even more disgusting than SEIU's skim off the home-based care providers.

Sincerely,

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* quotes taken from article from Intellectual Takeout, "Free Market Capitalism vs. Crony Capitalism",
<http://www.intellectualtakeout.org/library/big-business/free-market-capitalism-vs-crony-capitalism>